

Sales Tax

Question: “How are coupons and discounts on sale items treated in regards to sales tax?”

Response: The Illinois Retailers’ Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. 86 Ill. Adm. Code 130.101. The Retailers’ Occupation Tax is imposed on the gross receipts from sales of tangible personal property. See 35 ILCS 120/2-10.

“Gross receipts” from sales of tangible personal property at retail means the total selling price of the tangible personal property. “Selling price” includes all consideration for a sale valued in money whether received in money or otherwise, including cash, credits, property and services. See 35 ILCS 120/1.

If a retailer allows a purchaser a discount from the selling price on the basis of a discount coupon for which the retailer will receive full or partial reimbursement (from a manufacturer, distributor or other source), the retailer incurs Retailers’ Occupation Tax liability on the receipts received from the purchaser and the amount of any coupon reimbursement. Thus, a discount coupon for which a retailer will receive full or partial reimbursement is included in gross receipts, and the amount of such coupon discount is part of the selling price of tangible personal property. Therefore, the amount of the coupon discount is subject to Retailers’ Occupation Tax.

In contrast, if a retailer allows a purchaser a discount from the selling price on the basis of a discount coupon for which the retailer receives no reimbursement from any source, the amount of the discount is not subject to Retailers’ Occupation Tax liability. Only the receipts actually received by the retailer from the purchaser, other than the value of the coupon, are subject to the tax.

The Use Tax Act imposes a tax upon the privilege of using in this State tangible personal property purchased at retail from a retailer. 86 Ill. Adm. Code 150.101. A retailer maintaining a place of business in Illinois or a retailer authorized by the Department to collect Use Tax must collect Use Tax from a purchaser. Retailers must collect the tax from users by adding the tax to the selling price of tangible personal property. See 35 ILCS 105/3-45. Because the Retailers’ Occupation Tax and the Use Tax work together in a complementary fashion, Section 2 of the Use Tax Act contains the equivalent definition of “selling price” that is contained in Section 1 of the Retailers’ Occupation Tax Act.

“Selling price” means the consideration for a sale valued in money whether received in money or otherwise, including cash, credits, property and services. See 35 ILCS 105/2. Selling price includes any discount coupons for which the retailer will receive full or partial reimbursement. For this reason, the retailer must collect the Use Tax from the purchaser based on the selling price of tangible personal property, including the value of any discount coupons for which the retailer will receive full or partial reimbursement.

The Department's regulation at 86 Ill. Adm. Code 130.2125, Discount Coupons, Gift Situations, Trading Stamps, Automobile Rebates and Dealer Incentives, explains the information set forth above.

Income Tax

Question: As April is fast approaching, we have started working on some of our IL-1041's and are getting conflicting reviews on attaching IL Schedule D. We are under the impression that attaching the Schedule D is required for every IL 1041 filer, however, the Customer Service at CCH has been told by the state that if the new "complex trust without distributions" box in Step 1, Section D of Page 1 of the 1041 has been checked that there is no need to attach the IL Schedule D. Can you please advise us on whether or not we should be attaching IL Schedule D's to all of our 1041's or is it just the ones with distributions?

Response: Yes, if the trust checks the box on Step 1 of the form IL-1041 indicating that it is a "complex trust without distributions," then it is not required to file a Schedule D (which otherwise would report distributions to beneficiaries).

Note: The answers provided by the Department of Revenue to the questions are not to be relied upon by taxpayers in lieu of a Private Letter Ruling and are not the kind of written information upon which a taxpayer may rely to request an abatement under the Taxpayer Bill of Rights. Where a conflict appears to exist between these answers and a form, instruction, regulation or bulletin issued by the Department, taxpayers are advised to follow the form, instruction, regulation or bulletin, contact the Department's Business Hotline at (217)-524-4772, or seek a Private Letter Ruling.